

Message Text

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ACTION EUR-12

INFO OCT-01 EA-10 IO-13 ISO-00 CIAE-00 DODE-00 NSAE-00
NSCE-00 SSO-00 ICAE-00 INRE-00 AID-05 CEA-01
COME-00 EB-08 FRB-03 INR-10 NEA-10 OPIC-03 SP-02
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 STR-07
/106 W

-----072105 190424Z /73/43

O R 171620Z APR 78
FM AMEMBASSY PARIS
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C O R R E C T E D C O P Y (PART OF PARA 3 OMITTED)

USOECD

USEEC

E.O. 11652: N/A
TAGS: EGEN, OECD
SUBJECT: XCSS APRIL 14: NORTH/SOUTH RELATIONS

1. SUMMARY: XCSS HAD FIRST DISCUSSION OF METHODOLOG
FOR DEVELOPING LONG-TERM COHERENT APPROACH TO N/S
RELATIONS, AND GAVE A FAVORABLE BUT CAUTIOUS REACTION
TO SECRETARIAT'S PAPER. HIGHLIGHTS ARE
REPORTED BELOW. THERE WAS GENERAL AGREEMENT ON NEED
TO TAKE STOCK OF WHAT HAD BEEN ACCOMPLISHED IN RECENT
YEARS AND IDENTIFY SELECTED FUNCTIONAL AREAS WHERE N/S
COVERGENCE OF INTERESTS WAS EVIDENT. SECRETARIAT WAS
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CHARGED WITH THESE TASKS. DELS ALSO BROADLY ENDORSED
IDEA OF APPROACHING ISSUES FROM THE POINT OF VIEW OF
MANAGING WORLD INTERDEPENDENCE (AS OPPOSED TO RECONCIL-
ING CLAIMS OF POOR AGAINST THE RICH) AND RECOGNIZED
DESIRABILITY OF IDENTIFYING WHAT SORT OF
CHANGES IN INTERNATIONAL ECONOMIC RELATIONS
COULD BE CONSISTENT WITH NEED TO CARRY OUT THIS

MANAGEMENT EFFECTIVELY. VERY PRELIMINARY DISCUSSION OF SECRETARIAT'S PAPER ON NEWLY INDUSTRIALIZING COUNTRIES (NIC'S) REVEALED SOME DIFFERENCES IN ATTITUDE WITHIN GROUP, WITH U.S. AND JAPAN CAUTIONING AGAINST USING "NIC'S" AS SCAPEGOAT FOR OECD PROBLEMS AND FRANCE AND UK MORE INTERESTED IN ACTIVE APPROACH TO DIFFICULTIES POSED BY THESE COUNTRIES' POLICIES. END SUMMARY

2. COHERENT APPROACH TO NORTH/SOUTH RELATIONS: SECRETARIAT'S PAPER (CE(78)6) ADVOCATING FUNCTIONAL APPROACH (RATHER THAN RICH/POOR DISTINCTION) AS BEST WAY TO IDENTIFY MUTUAL NORTH-SOUTH INTERESTS IN EFFECTIVE MANAGEMENT OF WORLD ECONOMY WAS GENERALLY WELL RECEIVED BY DELS. BUT MANY POINTED OUT PREVIOUS ATTEMPTS TO STRUCTURE DISCUSSIONS ON FUNCTIONAL LINES HAD MET WITH ONLY LIMITED SUCCESS WITH G-77, AND CAUTIONED AGAINST BEING OVER-AMBITIOUS, EITHER RAISING EXPECTATIONS OF LDC'S ABOUT A GRANDIOSE NEW OECD INITIATIVE OR AROUSING THEIR SUSPICIONS OF OECD BLOCK APPROACH DESIGNED TO DIVIDE THEM. GROUP RALLIED TO EC COMMISSION REP'S (DENMAN) PROPOSAL THAT FUTURE WORK CONSIST OF (A) TAKING STOCK OF CONSTRUCTIVE ACTIONS OVER LAST 4 YEARS, AND (B) IDENTIFYING AREAS OF COMMON INTEREST IN SELECTED PRIORITY SECTORS. FRG SUGGESTED COMMODITIES, RESTRICTIVE BUSINESS PRACTICES (E.G. LIMITED OFFICIAL USE

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EDUCATING LDC'S ABOUT EVILS OF CARTELIZATION), INVESTMENT, AND TRADE AS PROMISING AREAS FOR WORK. SEVERAL DELS EXPRESSED RELUCTANCE TO UNDERTAKE OECD STUDY OF RBP'S AMONG MULTINATIONALS FOR FEAR OF SEEMING TO PUT OECD IN G-77 CAMP BY CRITICIZING MNE ACTIVITY.

3. JAPAN THOUGHT ENERGY AND TECHNOLOGY WERE NOT PROMISING, AS N/S CONFLICTS OF OBJECTIVES WERE WELL KNOWN, AND WAS HESITANT ABOUT HAVING ANY IDEAS FULLY DEVELOPED BY TIME OF OECD MINISTERIAL. LAST REMARK BROUGHT COMMENT BY SWEDEN THAT MINISTERS WOULD HAVE TO DO SOMETHING ON THIS SUBJECT. SWEDES ALSO WARNED AGAINST TRYING TO PROPOSE ALTERNATIVE TO MORE POLITICALLY STRUCTURED "OVERVIEW" DISCUSSIONS, SAYING NORTH HAD TO ACCEPT G-77 POLITICAL UNITY AS NECESSARY COMPENSATION FOR THEIR ECONOMIC WEAKNESS. PAPER'S IDEA FOR A THIRD WORLD SECRETARIAT WAS GENERALLY CONSIDERED UNWISE AND LIKELY TO INCREASE N/S POLARIZATION, ALTHOUGH NEW ZEALAND SUGGESTED IT COULD BE USEFUL TOOL TO GET LDC'S TO REFORM THEIR INTERNAL POLICIES."

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COME-00 EB-08 FRB-03 INR-10 NEA-10 OPIC-03 SP-02
TRSE-00 LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 STR-07
/106 W

-----047251 171716Z /43

O R 171620Z APR 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 0182
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4. DUTCH DEL OPPOSED OTHERS' CAUTION, ARGUED THAT CONCEPT IN SECRETARIAT PAPER SHOULD BE PURSUED FULL STEAM AHEAD, AND PROPOSED THAT PAPER BE SENT TO BRANDT COMMISSION, UN SECRETARIAT, AND ELSEWHERE. FRENCH DEL (FROMENT-MEURICE) TOOK OPPOSITE VIEW, SAYING PAPER LOOKED LIKE "LITTLE RED BOOK" FOR OECD AND THAT "NEW STRATEGY" WAS NOT WHAT WAS NEEDED. FROMENT-MEURICE SUGGESTED SECRETARIAT INSTEAD TACKLE PROBLEM OF DEFINING THOSE CHANGES IN WORLD ECONOMIC RELATIONS WHICH WOULD BE ACCEPTABLE TO OECD AND CONSISTENT WITH EFFECTIVE MANAGEMENT OF WORLD ECONOMY. FRENCH DEL URGED THAT XCSS FOCUS ON COORDINATING STRATEGY FOR CURRENT NEGOTIATIONS RATHER THAN TRY TO DEVELOP OVERALL CONCEPTS.

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5. U.S. (UNDER SECRETARY COOPER) SUGGESTED MAY MEETING OF UN OVERVIEW COMMITTEE WAS FIRST OPPORTUNITY TO REDIRECT DISCUSSION OF N/S ISSUES TOWARD PROBLEMS OF MANAGING WORLD ECONOMY, AND OECD WORK ON STOCKTAKING AND IDENTIFYING AREAS OF MUTUAL INTEREST COULD BE IMPORTANT LONGER RUN CONTRIBUTIONS. WITH RESPECT TO WORK ON FUNCTIONAL AREAS, HE PROPOSED SECRETARIAT EXPLORE QUESTION OF RESTRICTIVE BUSINESS PRACTICES BY BOTH MNE'S AND HOST GOVERNMENTS AND INHIBITIONS TO PRIVATE INVESTMENT CAUSED BY UNCERTAINTIES IN THE STRUCTURE OF HOST GOVERNMENT POLICY.

6. CHAIRMAN'S SUMMARY OF DISCUSSION IDENTIFIED RAW MATERIALS, TECHNOLOGY, INDUSTRIAL DEVELOPMENT, INVESTMENT/RESTRICTIVE BUSINESS PRACTICES, FOOD SECURITY, AND TRADE AS AREAS WHERE "PILOT STUDIES" OF N/S INTEREST CONVERGENCE SHOULD BE CONDUCTED. SECRETARIAT WILL CONSULT WITH INTERESTED DELS ABOUT THESE STUDIES.

7. ON SEPARATE POINT, NETHERLANDS AND SWEDEN PUSHED FOR ELABORATING IDEA OF USING INCREASED AID TO LDC'S TO HELP SPUR WORLD ECONOMIC RECOVERY. IN RESPONSE, SECRETARY GENERAL VAN LENNEP NOTED THAT SECRETARIAT WAS WORKING ON PROPOSALS FOR A PROGRAM TO CHANNEL EXCESS WORLD SAVINGS INTO INVESTMENT PROJECTS IN LDC'S IN THE AREAS OF ENERGY, FOOD, RAW MATERIALS PRODUCTION WHICH PRIVATE MARKETS DID NOT FIND ADEQUATELY ATTRACTIVE. U.S. DEL SUGGESTED KEY PROBLEM WAS TO FIND A WAY WHICH DID NOT RUN AFOUL OF THEIR SENSITIVITIES ABOUT NATIONAL SOVEREIGNTY TO GET LDC'S TO TRANSLATE SAVINGS INTO INVESTMENT RATHER THAN CONSUMPTION.

8. NEWLY INDUSTRIALIZING COUNTRIES: SECRETARIAT'S LIMITED OFFICIAL USE

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PAPER ON THIS ITEM (CE(78)7) WAS NOT DISCUSSED AS SUCH, BUT IN CONTEXT OF NORTH/SOUTH DEBATE THERE WAS AN INTERESTING EXCHANGE OF VIEWS. UK (BUTLER) SUGGESTED SECRETARIAT DO FURTHER WORK ON (A) HOW TO DEMONSTRATE TO "TOO-SUCCESSFUL" LDC'S LIKE KOREA THAT IT WAS IN THEIR OWN INTEREST TO OPEN THEIR MARKETS, AND (B) HOW INFORMATION EXCHANGE AND SUPPLY/DEMAND FORECASTS COULD HELP AVOID OVER-INVESTMENT IN TROUBLED

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/106 W

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O R 171620Z APR 78
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SECTORS LIKE STEEL. JAPAN (MIYAZAKI) EXPRESSED AGREE-
MENT ABOUT KOREA OPENING ITS MARKETS, BUT SUGGESTED
THAT OECD SHOULD IN GENERAL WELCOME LDC GROWTH VIA
EXPORTS AND, IF IT WAS TO AVOID SEVERE DAMAGE TO ITS
IMAGE, WOULD HAVE TO LIVE WITH THIS AND ADJUST INTERN-
ALLY RATHER THAN PRESSURE LDC'S TO TAKE ACTIONS. ON
OVER-INVESTMENT ISSUE, JAPAN WAS HIGHLY SKEPTICAL
OF ADVISABILITY OF TRYING TO ADVISE LDC'S WHERE TO
INVEST, AGAIN FOR REASONS OF OECD IMAGE. MIYAZAKI
WAS CONCERNED THAT EVEN SIMPLE INFORMATION EXCHANGE,
IF CARRIED OUT IN CERTAIN WAYS, LIKE INVITING SOME
LDC'S TO PARTICIPATE TO WORK OF OECD GROUPS, COULD
HAVE ADVERSE POLITICAL EFFECTS.

9. U.S. NOTED STUDY SHOWED LDC'S IMPORTS WERE ONLY
SMALL PART OF CAUSES OF ADJUSTMENT PROBLEMS AND WARNED
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THAT FOCUS ON BRAZIL OR KOREA WAS SIMPLY A SEARCH FOR
SCAPEGOATS FOR DC'S PROBLEMS. UNDER SECRETARY COOPER
AGREED WITH MIYAZAKI ON DANGERS OF TRYING TO PLAN
INVESTMENT, NOTING UNRELIABILITY OF GOVERNMENT'S

WISDOM IN THIS AREA, BUT SUGGESTED BETTER INFORMATION DISSEMINATION WAS BEST WAY TO HELP INVESTORS MAKE RIGHT DECISIONS. CHAIRMAN JOLLES' ATTEMPT TO SUMMARIZE DISCUSSION SPARKED FRENCH INTERVENTION SUGGESTING CONCEPT OF "ORDERLY ACCESS" FOR LDC IMPORTS, WHILE SWISS AND FRG STATED SUPPORT FOR U.S. AND JAPANESE VIEWS. GROUP AGREED DISCUSSION HAD NOT BEEN A FULL ONE AND THAT CONCLUSIONS SHOULD NOT BE DRAWN AT PRESENT TIME.
SALZMAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LESS DEVELOPED COUNTRIES, ECONOMIC COOPERATION, FOREIGN RELATIONS, TRADE, MEETING REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 apr 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978PARIS12460
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780176-1103, D780164-0368
Format: TEL
From: PARIS OECD USOECD
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780449/aaaabplh.tel
Line Count: 288
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9d4f88ac-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2943733
Secure: OPEN
Status: NATIVE
Subject: XCSS APRIL 14: NORTH/SOUTH RELATIONS
TAGS: EGEN, ECIN, FR, XX, OECD, GROUP OF 77
To: STATE USEEC
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/9d4f88ac-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014